BUFFALO FISCAL STABILITY AUTHORITY

Meeting Minutes May 18, 2022

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA") held on May 18, 2022. The Board met via teleconference/in-person in compliance with New York State Executive Order 202.107. The meeting was called to order at 1:12 PM.

Board Members Present

Interim Vice-Chair Jeanette T. Jurasek Secretary Frederick G. Floss Director Andrew A. SanFilippo (via teleconference) Mayor Byron W. Brown (proxy Estrich via teleconference) County Executive Mark C. Poloncarz (proxy Swanekamp)

Board Members Excused

Chair R. Nils Olsen, Jr.

Staff Present

Executive Director Jeanette M. Robe Principal Analyst/Media Liaison Bryce E. Link Senior Analyst II/Manager of Technology Nathan D. Miller Comptroller Claire A. Waldron

Additionally Present

Mr. Richard A. Grimm, III, Esq., Magavern Magavern & Grimm LLP Mr. Geoff Pritchard, Chief Financial Officer, Buffalo City School District Mr. Pedro Gonzalez-Ortiz, Senior Legislative Assistant Buffalo Common Council

Opening Remarks

Secretary Floss welcomed everyone to the May Board meeting and thanked all that were in attendance.

Moment of Silence

Secretary Floss made the following statement on behalf of the BFSA organization:

"I want to acknowledge the enormous tragedy that occurred this past Saturday in our beloved City. Ten lives were senselessly taken from their families and friends, from their community, and from all of us. I offer our condolences to all of those suffering and in pain, to the community impacted, and to the entire City of Buffalo. Our hearts hurt with yours. At this time, I would like to hold a moment of silence in memory of those who lost their lives."

He instructed all in attendance to observe a moment of silence.

Roll Call of Directors

Secretary Floss then reviewed the agenda and asked Executive Director Robe to call the roll.

City of Buffalo ("City") Commissioner of Finance, Ms. Donna Estrich, represented Mayor Byron W. Brown in accordance with Subdivision 1 of §3853 of the BFSA Act.

Erie County Deputy Budget Director, Benjamin Swanekamp, represented County Executive Mark C. Poloncarz, in accordance with Subdivision 1 of §3853 of the BFSA Act.

Subdivision 1 of §3853 of the BFSA Act reads: "...The Mayor and the County Executive shall serve as ex officio members. Every director, who is otherwise an elected official of the City [of Buffalo] or County [of Erie], shall be entitled to designate a single representative to attend, in his or her place, meetings of the Authority and to vote or otherwise act in his or her behalf. Such designees shall be residents of the City of Buffalo ("City"). Written notice of such designation shall be furnished prior to any participation by the signal designee...."

With a quorum present, the meeting commenced.

Recognition of James L. Magavern, Esq.

Secretary Floss introduced Resolution No. 22-03: "Honoring James L. Magavern, Esq." for his dedicated service for the City of Buffalo and serving as legal counsel for the Buffalo Fiscal Stability Authority until his passing on March 7, 2022.

Interim Vice-Chair Jurasek made a motion to approve. County Executive Poloncarz (Benjamin Swanekamp) seconded the motion.

The Board voted 5-0 to approve Resolution No. 22-03.

Recognition of Commissioner Donna Estrich

Secretary Floss introduced Resolution No. 22-04: "Honoring Commissioner Donna J. Estrich" for her exemplary contributions made to the City of Buffalo during her 28-year career in public service.

Interim Vice-Chair Jurasek made a motion to approve.

County Executive Poloncarz (Benjamin Swanekamp) seconded the motion.

The Board voted 5-0 to approve Resolution No. 22-04.

Approval of Minutes

Secretary Floss advanced the agenda to introduce Resolution No. 22-05: "Approval of February 16, 2022 Meeting Minutes and Resolutions," and asked for a motion to approve.

County Executive Poloncarz (Benjamin Swanekamp) made a motion to approve.

Interim Vice-Chair Jurasek seconded the motion.

The Board voted 5-0 to approve Resolution No. 22-05.

City of Buffalo ("City")

Fiscal Year ("FY") 2022-23 Proposed Budget and 2023-2026 Financial Plan

Secretary Floss advanced the agenda to the review of the City of Buffalo's FY 2023-2026 financial plan and FY 2021-22 third quarter report as submitted on May 2, 2022. The Buffalo Common Council is in the process of reviewing the proposed budget. A final submission is expected to be submitted by the Mayor to the BFSA in June 2022 which will incorporate the final approved budget. The final financial plan will be reviewed at the June BFSA board meeting.

Principal Analyst Bryce Link began his review of the City's FY 2022-23 Proposed Budget and 2023-2026 four-year Financial Plan, stating revenues and expenditures for 2022-2023 are \$568.2M and increase to \$569.6M over the three out-years, a total of \$2.3B in revenues and expenditures over the four-years of the financial plan.

The 2021-22 adopted budget included estimated revenues and expenditures of \$534.6M, with a projected year-end of \$545.2M in revenues and a projected surplus of \$7.3M. Estimated revenues and budgeted appropriations of \$568.2M in the proposed 2022-23 budget represents a budget-to-budget increase of \$33.6M and a year-end to budget increase of \$30.3M.

Fund Balance at June 30, 2021, totaled \$104.3M:

•	Nonspendable/restricted	\$38.6M
•	Committed (Rainy Day Fund)	\$40.7M
•	Assigned	\$16.8M
•	Unassigned	\$ 8.2M

The City has been without Unassigned fund balance for the two prior fiscal years.

Total 2022-23 estimated revenue of \$568.2M categorized by source includes:

- City \$223.5M, or 39.3%
- NYS \$172.3M, or 30.3%
- Erie County \$104.3M, 18.4%
- Federal \$52.9M, or 9.3%
- Transfers In \$10.7M, or 2%
- Other \$4.6M, or 1%

The Taxes category is projected to increase from \$165.6M in FY 2022-23 to \$179.4M in FY 2025-26 due to the increase in Real Property Tax receipts, as they are anticipated to increase annually while the remaining taxes from the New York State School Tax Relief ("STAR") program, mortgage tax, payments-in-lieu-of-taxes ("PILOTs"), and all other taxes are expected to remain flat. Taxes represent 29.1% of total revenues in FY 2022-23. The real property tax levy is \$154.6M, an increase of \$6.7M, 4.5% compared to prior-year ("PY") tax levy of \$147.9M. The City is currently utilizing 47.5% of the available tax levy.

Taxes are projected to increase 5.6%, or \$13.8M, from \$165.6M to \$179.4M over the financial plan. The tax levy is projected to increase 2.0% in year two, 2.5% in year 3, and 4.0% in the fourth year of the financial plan. A City-wide reassessment is set to begin in 2023-24 and will be in effect in 2025-26.

Real property taxes are budgeted at \$148.6M in FY 2022-23 and are budgeted to increase by

- \$3.2M, or 1.9%, to \$151.7M in FY 2023-24;
- \$3.9M, or 2.6% to \$155.6M in FY 2024-25; and,
- \$6.5M, or 4.2% to \$162.1M in FY 2025-26

A breakout of the total tax levy summary for 2022-23 was provided, including the rates for homestead and non-homestead tax rates. The total tax levy is \$154.6M. Of the total tax levy amount, the City retains \$83.7M and transfers \$70.8M to the District. The homestead rate is \$10.38 per \$1,000 of assessed property and the non-homestead rate is \$18.35 per \$1,000 of assessed property. Total property taxes from homestead properties total \$75.0M, and the non-homestead portion totals \$79.6M. A discussion on the historical use of City tax levy ensued.

Principal Analyst Link provided an example of the proposed 5.1% tax increase for a \$250,000 single family home as a \$125 increase. Secretary Floss stated many homes are assessed at a much lower rate and therefore the increase would be much lower.

Interim Vice-Chair Jurasek requested historical data in regard to the City's tax levy, maximum constitutional taxing authority and percent of levy used by the City since the inception of the BFSA.

Intergovernmental revenues over the 2023-26 Financial Plan are as follows:

- \$335.5M budgeted in 2022-23 represents 59.0% of total revenues
- Intergovernmental revenue category fluctuates over the financial plan:
 - Decreases \$19.2M (5.7%) to \$316.4M in 2023-24
 - Reduced \$11.7M (3.7%) in 2024-25 to \$304.7M
 - Increases \$5.4M (1.8%) to \$310.1M in 2025-26
- The American Rescue Plan Act ("ARPA") 2021 comprises a significant portion of the Intergovernmental revenues over the financial plan as follows:
 - \$51.8M in federal aid in 2022-23, \$27.3M in 2023-24, \$6.3M in 2024-25 and \$2.0M in 2025-26 for revenue replacement.
 - o A total of \$331.4M was awarded to the City
 - The City has projected to using \$87.5M over the financial plan for lost revenues due to the pandemic
 - \$40.0M was used in FY 2021
 - \$8.9M is estimated to be used in FY 2022
 - The City intends to submit a revised ARPA plan by June 30, 2022, reflecting reallocation of resources.
 - Current shortfall of \$36.4M within the ARPA Recovery Plan. The City is within the limits provided by the Department of the Treasury for utilizing ARPA funds for revenue replacement.

- Tribal State Compact casino revenue the City included \$49.5M in total of casino revenue over the financial plan
 - Includes \$11.0M in 2022-23 and 2023-24, increases to \$12.5M in 2024-25 and to \$15.0M in 2025-26
 - Out year increases deemed speculative and total \$4.0M
 - Amounts previously held by the Seneca Gaming Commission was released to the City in April 2022
 - Current Compact extension expires in 2023. New York State and the Seneca Gaming Commission will soon negotiate a new contract.
- Sales Tax is estimated at \$104.3M in 2022-23 and increasing by \$6.9M, or 6.6 percent, to \$111.2M in year 2025-26
 - Increases by \$1.5M (1.5%) to \$105.9M in 2023-24
 - Increases by \$2.6M to \$108.5M (2.5%) in 2024-25
 - Followed by an additional \$2.7M (2.5%) increase in 2025-26 to \$111.2M
 - o Increased by \$17.8M (20.6%) between 2021-22 and 2022-23 due to higher than expected sales tax collections in current year
- New York State Aid and Incentives for Municipalities ("NYS AIM") is held flat at \$161.3M in 2022-23 compared to the current year and is estimated to increase 2.0% annually in the out-years to:
 - An increase of \$3.2M to \$164.5M in 2023-24
 - An increase of \$3.3M to \$167.8M in 2024-25
 - An increase of \$3.4M to \$171.2M in 2025-26
 - The cumulative increase of \$9.9M is deemed speculative

Commissioner Estrich stated Mayor Brown has been in conversation with both NYS Executive and Legislative branches and is confident an increase in State AIM will be realized in the outvears.

- Fines total \$8.2M, or 1.4% of 2022-23 budgeted revenues
 - Fines increase by \$2.0M, or 24.9% over the Financial Plan
 - Increase is attributed to Parking Tags Fines and Penalties

The City projects gradually returning to pre-pandemic levels by the last out-year of the financial plan.

- Miscellaneous revenues
 - Miscellaneous revenues are budgeted at \$16.0M in 2022-23 and represent 2.8% of budgeted revenues
- Sale of capital assets budgeted at \$5.0M in 2022-23
 - Increases to \$6.0M in 2023-24
 - Estimated at \$18.5M in 2024-25
 - Decreases to \$6.9M in 2025-26
 - \$3.5M is budgeted annually between FY 2024 and 2026 for property for in rem foreclosure sales
 - \$4.3M is included in 2022-23 for the sale of a parking ramp
 - \$13.5M increase in 2024-25 represents the anticipated sale of a parking ramp

Director SanFilippo asked for clarification on anticipated claim payments in FY 2023-24. Principal Analyst Link responded the increase is attributed to the prospective settlement regarding the opioid crisis; the City expects to settle within that fiscal year.

- All other revenues total \$32.3M, or 5.7% of budgeted revenues in 2022-23.
- Minimal variance in revenues across the financial plan, increasing \$3.5M, or 10.5%
 - o Service charges are budgeted to increase \$2.5M
 - o Interest income is budgeted to increase \$0.9M

A discussion ensued regarding the sale of a parking ramp and surface lots near the Fernbach Ramp.

Proposed expenditures for FY 2022-23 total \$568.2M:

- Fringe Benefits \$169.4M, or 30%
- Interfund Transfers Out \$105.5M, or 19%
- Police \$90.7M, or 16%
- Fire \$71.0M, or 13%
- Public Works \$36.1M, or 6%
- Utilities \$19.3M, or 3%
- All Other Departments and Expenditures \$76.4M, or 13%
- Year-to-year General Fund Expenditures are budgeted to increase from \$534.6M to \$568.2M:
 - Represents an increase of \$33.6M, or 6.3%
- Total departmental spending of \$266.4M:
 - Year-to-year budget increase of \$22.5M, or 9.2%
 - Includes an increase of \$14.9M, or 5.6%, for projected amounts for step and wage increases
 - o Includes \$9.5M, or 5.7% for salary and wage increases
 - o Includes \$4.7M, or 27.7% increase for police and fire overtime increases
 - An increase of \$3.8M, or 35.7%, for supplies
 - An increase of \$2.8M, or 94.6%, for capital outlay
 - An increase of \$1.1M, or 3.6%, for services
 - Police Department is increasing by \$5.4M
 - o \$2.2M increase for overtime
 - o \$1.4M increase for step-progression
 - o \$1.1M for addition of 14 detective positions
 - o \$0.5M for purchase of additional police vehicles
 - Fire Department is increasing by \$5.0M
 - o \$2.4M increase for overtime
 - o \$2.1M increase for step-progression
 - o \$0.5M increase for supplies and capital outlay for vehicles

A discussion ensued regarding the increased budget for Police with respect to the new discovery laws and its impact on overtime, new video equipment, the development of new officers and onboarding new police recruits.

- Total departmental spending of \$266.4M:
 - Public Works is increasing by \$2.7M
 - o \$1.5M increase for capital outlay for the purchase of vehicles
 - o \$0.9M increases for wage increases

- Administration and Finance is increasing by \$2.6M
 - o \$2.3M increase for gasoline/other vehicle lubricants
 - o \$0.3M increase for personal services
- All other departments net increase of \$6.8M
 - o An increase of \$1.0M in the Law Department for additional attorneys
 - An increase of \$1.2M in the Management Information Systems for software and hardware upgrades to the 311 System
 - o An increase of \$750,000 for targeted land improvements
- Estimated amounts included for future labor contract settlements budgeted in fringe benefits
- Total general charges spending of \$196.0M:
 - Year-to-year budget increase of \$5.9M (3.1%) with fringe benefits increasing by \$2.9M (1.8%) and all other general charges increasing by \$3.0M (1.9%)
 - Largest cost escalator is retiree health insurance
 - o Budgeted at \$42.8M
 - o Increase of \$1.9M (4.6%)
 - Increase for active employee health insurance is \$1.7M (3.8%)
 - o Budgeted at \$46.0M
 - Pension contributions are budgeted to decrease by \$5.0M
 - o Decrease for ERS is \$3.1M (27.3%)
 - o Decrease for PFRS is \$2.0M (5.3%)

These decreases are reflective of the composition of the workforce and on-boarding of new staff in Tier 6. Tier 6 employees are less costly for the City when compared to the cost of Tier 1 through Tier 5 employees.

- Salary adjustment line is included at \$7.7M
 - Increased over the Financial Plan in the two out-years
- All other general charges increasing by \$3.0M (1.9%)
 - Utilities are budgeted at \$19.3M, increasing by \$2.6M year-to-year (15.6%) reflecting inflationary costs increases for natural gas and electricity
- Other general charges are increasing \$0.3M for prior-year legal settlements
- Duty-disability payments are increasing by \$0.1M
- Transfers Out are increasing by \$5.8M to \$105.9M
 - Increase of \$5.8M for principal and interest on outstanding debt
- Departmental expenditures are projected to decrease by \$6.4M in 2023-24 due to:
 - Public Works capital outlay is decreasing \$2.5M (6.9%) due to the purchase of vehicles in 2022-23
 - Management Information Systems is decreasing by \$1.6M (23.1%), due to \$1.2M in one time service costs for the 311 system upgrades in 2022-23
 - Administration and Finance is decreasing \$1.5M (8.6%) in 2023-24 to reflect the anticipated decrease in the price of gasoline
 - Service costs for Assessment and Taxation are decreasing by \$1.5M for services being provided in 2022-23 for the preparation of the reevaluation
- Departmental costs are increasing by \$2.1M (0.8%) and \$3.8M (1.5%) to reflect salary increases in fiscal years 2025 and 2026

- Fringe benefits are increasing \$5.5M (3.4%) over the Financial Plan
 - Health insurance increasing by \$4.5M (5.1%), approximately 1.7% annually
 - Pension payments are increasing by \$1.4M (3.1%), approximately 1.1% annually
- Utilities are decreasing \$1.4M (7.5%) over the Financial Plan
 - Assumption is inflationary impact will reverse
- Interfund transfers out decrease by \$1.3M over the Financial Plan
 - Interfund transfers out total \$105.9M in 2022-23 and decreases to \$104.6M in 2025-26:
 - o Transfer to the School District is flat at \$70.8M
 - Transfer to Capital Debt Service Fund at \$34.6M decreasing to \$33.4M in FY 2026
 - o Transfer to Capital Projects Fund is flat at \$400,000

Staffing is held flat over the financial plan at 2,757 FTEs, which reflects an increase of 24 positions.

Hearing no questions or comments Principal Analyst Link gave the floor to Executive Director Robe to present the summary of findings.

Executive Director Robe thanked staff, the Mayor and his team, Commissioner Donna Estrich and her team, District officials, BURA officials and BMHA officials for all the hard work that went into the development of the plans and the analysis.

Summary and Recommendations

- Overall we find the financial plan to be balanced and fiscally responsible
- There is an overall encompassing risk over the City's financial plan as it relates to external economic risks factors that could have a significant impact on the financial plan as it relates to high inflation and the resulting risk of a recession.
- A recession would likely have a negative financial impact on the City as certain revenues could be affected along with rising costs putting pressure on budgeted appropriations.
- During the economic expansion from July 2009 through the start of the pandemic in March 2020, the City elected to maintain the real property tax levy and spend down fund balance to spur economic growth within the City. This, coupled with the nonreceipt of casino revenue for several years, had the effect of bringing unrestricted fund balance and unassigned fund balance to low levels. Significantly, the rainy-day fund has been fully maintained since it was established.
- The Financial Plan includes increases to the real property tax levy ranging between 2.0% and 4.5% annually, providing a cumulative increase in real property taxes of \$20.2M over the next four years. The 2022-23 proposed increase is 4.5% which would provide the City with \$6.7M in additional revenue. The increase appears reasonable and financially responsible considering the economic uncertainties facing the City.
- The 2022-23 Proposed Budget is balanced with the use of an estimated \$52.6M in federal ARPA funds
 - The City has included \$87.5M in ARPA funds over the 2023-2026 Financial Plan, which exceeds the ARPA Recovery Plan as approved last August by \$36.4M.
 The City Administration has indicated the intent is to file a revised ARPA Recovery Plan by June 30, 2022.

- The financial plan includes reduced reliance on ARPA funds over each year of the Financial Plan with a minor \$2.0M balance reflected in the final year of the plan
- Tribal-State Compact Casino revenue totals \$49.5M over the Financial Plan
 - Dispute between NYS and Seneca Gaming Commission has been settled, a total of \$40.3M expected with \$34.8M received in April 2022
 - The current Tribal State Compact is set to expire December 31, 2023
 - The City's Financial Plan forecasts \$49.5M of casino revenue of which, a \$4.0M increase in last two years is deemed speculative
 - o Casino revenue provides 2.2% and 2.6% of total projected revenue in 2025 and 2026
- Unsupported revenues over the Financial Plan are estimated at \$13.9M and include:
 - State AIM is increased \$9.9M over the Financial Plan is deemed speculative
 - Casino revenue of \$4.0M
 - The total is not considered financially material to the overall plan and doesn't warrant a request for a revised financial plan
- The Financial Plan relies on \$124.8M of nonrecurring, one-time revenue
 - Federal rescue funds of \$87.5M supplants lost revenues
 - Remaining amount of \$37.3M:
 - o Indicative of an operational imbalance as such funding is not sustainable
 - Future revenues will need to be generated to replace such one-time sources or expenditures decreased

Secretary Floss stated the Mayor's proposal of an incremental increase in property taxes places the City in a better position to provide the services that the citizenry needs and address the imbalance.

- The Financial Plan will require close monitoring, including difficult to estimate revenues, especially due to the uncertainty of how long the effects of the pandemic will impact them.
 - These revenues include parking meter fees and mortgage default fees under Service Charges and parking tags, fines and fees and traffic violation fines under Fines
 - Sales tax collections are at record levels, and it is unknown if collections will remain as strong as projected. A negative shift could substantially impact the plan as it is a main revenue source.
- The City has increased overtime by \$4.7M combined for the police and fire department
 - Our past reviews and budget reports have cited budget shortfalls in overtime in these areas; this budget begins to address the disparity. We continue to recommend this cost be closely monitored.
 - Based on recent history overtime may continue to be underestimated
 - Underlying assumptions include the turnover rate and difference in salaries, assumptions related to injured-on-duty claims, the ability to manage the workforce through initiatives and contract changes and training needs related to new employees

- Unrestricted fund balance at June 30, 2021, was \$65.7M, consisting of \$40.7M in the Rainy Day Fund, \$16.8M of assigned fund balance and \$8.2M of unassigned fund balance. The Government Finance Officers Association recommends no less than two months of regular operating expenditures.
 - Two months of budgeted 2022-23 expenditures is equivalent to \$94.7M;
 If transfers out are excluded two months is equivalent to \$77.1M.
 - The City is currently under recommended levels by \$11M-\$12M up to \$29M if transfers are included in the calculation. We recommend a fund balance replenishment program be considered.
- Other notes from our review include:
 - The City is maintaining its contribution to the District of \$70.8M annually and continues to request additional funding
 - There is no provision for increasing fund balance included in the Financial Plan.
 - The City no longer subsidizes the Refuse Fund. Based on current projections, the rates charged for services will be adequate to fund operations.
 - o At June 30, 2021, there was \$12.4M due to the General Fund which is reported as a restriction to fund balance
 - o No formal plan has been developed to address the outstanding receivable
 - o City has indicated cash surpluses will be applied against the receivable

Secretary Floss asked how many other cities are meeting the threshold for their fund balance and if anyone was able to meet the standard recommendation, considering the pandemic's effects on city finances. Executive Director Robe stated that information could be researched.

Interim Vice-Chair Jurasek asked if anyone else promotes the replenishment of fund balance as much as the BFSA does. Executive Director Robe replied that the Common Council has discussed this matter and has developed a fund balance policy. There is continued discussion occurring on the policy with the Comptroller's Office and Administration.

Interim Vice-Chair asked if the City's cash flow is still being closely monitored by the BFSA. Executive Director Robe stated the monthly cash flow report as filed with Common Council by the City Comptroller's Office is reviewed. The Comptroller's Office expanded on the report to create a more detailed statement so that the estimates and markers can be better identified.

Hearing no additional comments or questions, Secretary Floss advanced the agenda and gave the floor to Senior Financial Analyst II Nathan Miller to begin his presentation.

Buffalo City School District ("District" "BCSD")

Proposed 2022-23 Budget and 2023-2026 Four-Year Financial Plan

Revenues

Unprecedented Levels of Funding

- NYS has provided significant increases in Foundation Aid, beginning with FY 2021-22, and expected to continue through FY 2023-24. This aid directly impacts the General Fund
 - o FYE 2022 year-to-year increase is projected at \$41.2M
 - o Budgeted to increase by \$35.0M in FY 2022-23 and \$44.0M in FY 2023-24

- o The cumulative four-year increase is \$172.1M
 - There is a significant offset to this increase in NYS Building Aid which decreases by a cumulative \$43.3M over the Financial Plan
- Federal aid has been awarded to the District to address a multitude of issues resulting from the pandemic
 - o The District's total federal stimulus award is \$289.6M
 - The District has included \$228.4M in funding and appropriations over the next two years
 - CRRSA ESSER II funding is available through September 2023
 - The ARPA ESSER III funding is available through September 2024
 - The Financial Plan includes the elimination of 326 positions in FY 2024-25 after federal stimulus is no longer available
 - The costs to continue ELT and expanded Summer School programs as funded initially by federal aid is brought into General Fund in FY 2024-25; total amounts in years 3 and 4 are cumulative at \$12.0 M
 - There is no federal aid reflected in the General Fund excepting \$8.0M from indirect cost expenditures recorded as revenues

There is a structural imbalance in the Financial Plan as staffing has not kept pace with the reduction in pupils.

- Gap Closing Measures/Structural Imbalance
 - The District indicates that gap closing measures will likely become necessary during the next four years as it has not systemically reduced the physical footprint of staffing of its schools to match the student population loss
 - This need will be more urgent if enrollment does not recover to near prepandemic levels as anticipated
 - The resulting structural imbalance that is currently masked by the unprecedented levels of federal and state aid

Nathan Miller reviewed past and projected enrollment figures along with the past and projected District-wide FTE count.

Secretary Floss stated approximately 40,000 students were lost across NYS and asked how student enrollment remains as high as it is.

BCSD CFO Geoff Pritchard responded the budget has been based on capacity and not on current student enrollment, however; the change will be reflected when the budget books are reset.

Sr. Analyst II Miller continued his presentation.

- General Fund revenues increase at a 1.9% compound annual growth rate ("CAGR")
- General Fund expenditures increase at a 1.7% CAGR
- Excluding FY 2022-23, the projected deficit expands in each FY of the Financial Plan from \$8.3M to \$30.8M
 - o General Fund revenues increase at a 0.39% CAGR from FY 2023-24 to FY 2025-26
 - o General Fund expenditures increase at a greater CAGR of 1.45% over this period

- The use of appropriated fund balance increases over this period as well to close the widening budgetary deficits as the following percentage of General Fund appropriations:
 - FY 2022-23 3.4%
 - FY 2023-24 0.8%
 - FY 2024-25 1.6%
 - FY 2025-26 2.9%
- o Culminating in the use of fund balance to cover the \$90.3M total deficit

Nathan Miller reviewed the Financial Plan summary.

- Fund Balance Status & Projections
 - The District's fund balance position has improved considerably over the last five fiscal years
 - At June 30, 2022, General Fund fund balance is anticipated to total \$319.0M including \$109.7M in Unassigned fund balance
 - Unassigned fund balance is projected to exceed the Board of Education's 4% of General Fund expenditures retainage policy by \$68.9M
 - o The Financial Plan includes the use of available fund balance in each FY
 - Total fund balance is projected to total \$228.7M at June 30, 2026
 - Unassigned fund balance is projected to decrease considerably to \$45.2M at June 30, 2026 (minimum 4% of FY 2025-26 expenditures = \$42.9M)
- The General Fund revenues are budgeted at \$42.0M (4.5%) greater than the FY 2021-22 Adopted Budget and total \$985.5M
 - The overall increase is driven by a substantial \$34.3M increase (5%) in NYS Aid less
 NYS Building Aid
- NYS Aid (less NYS Building Aid) totals \$726.9M in FY 2022-23 and is projected to grow to \$815.8M in FY 2025-26 (\$88.9M or 12.2%)
 - o FY 2022-23 is year 2 of 3 of NYS's pledge to fully-fund NYS Foundation Aid, as established by NYS following the 2006 Campaign for Fiscal Equity court decision
 - o NYS Transportation Aid is budgeted at \$38.1M in FY 2022-23 and is projected to grow to \$48.4 M in FY 2025-26 (\$10.3M or 27%)
 - Based on the assumption of a standard level of transportation services
 - These expenditures have been atypically lower in FY 2019-20 through FY 2021-22 due to the pandemic's disruption on transportation services

Secretary Floss asked how the problem in finding bus drivers affects the Transportation budget. CFO Geoff Pritchard responded that the District is unsure how things will change going forward with First Student drivers but bonuses and change of bell times are being considered to at least retain the current number of staffed drivers.

Expenditures

- Expenditures total \$1,020.1M in the Draft Budget
- Expenditures are projected to total \$1,073.2M in FY 2025-26 (\$53.1M or 5.2% increase)
 - o The CAGR over this period is 1.7%

- Unsettled Labor Contracts
 - All collective bargaining units funded by the General Fund have labor agreements that either are expired or are scheduled to expire during the next four fiscal years
 - The FY 2023-2026 Financial Plan is significantly different from past plans in that it includes estimated amounts for the settlement of expired labor contracts
 - The cumulative amount provided over the plan for this purpose is \$131.4M and contributes to the cumulative projected Financial Plan budget gap of \$90.3M
 - The District has sufficient fund balance to fund the projected deficits over the next four years

Secretary Floss stated the past practice of settling labor contracts used fund balance to pay already owed wage increases and bonuses, however, the continuation of fund balance use is not appropriate and should be accounted for in the general budget going forward.

- Reserve for Contingency
 - o The Financial Plan includes a Reserve for Contingency
 - Not a specific expenditure and was established as a contingency to cover revenue reductions and/or expenditure increases which may occur after a budget's adoption
 - The Reserve for Contingency expenditure totals \$33.2M in the Draft Budget and increases to \$51.3M by FY 2025-26. Total contingency over the financial plan totals \$156.4M
- Charter School Payments
 - Payments to Charter Schools is the third largest General Fund expenditure at 15.2% of total General Fund expenditure at \$154.6M
 - Payments to Charter Schools include the funds the District forwards to the 22 area charter schools (includes two out-of-District charter schools) based on the number of Buffalo resident pupils enrolled in charter schools at a rate established by NYS
 - Budgeted at \$154.6 M in the Draft Budget and increases to \$185.4M over the course of the Financial Plan (\$30.8M or 19.9%)
 - The increase is driven by an increase in estimated pupils from 10,839 to 12.081 and the base tuition rate

Interim Vice-Chair Jurasek asked how the number of estimated pupils was calculated. CFO Geoff Pritchard stated the calculation is based on the seats available as reported by the charter schools themselves; the numbers are recalculated every two months. A discussion began about the fluctuation of students at charter schools and its effect on staffing for BSCD as well as the budget.

- Transportation expenditures total \$53.6M in the Draft Budget and increase to \$58.6M over the Financial Plan (\$5.0M or 9.3%)
 - o 460 bus runs planned in FY 2022-23
 - Currently 464 AM runs and 457 PM runs
 - Reduced from 670 pre-pandemic

- Severe shortage in bus drivers and bus aides
- The Draft Budget decreases Transportation expenditures over the PFY Adopted Budget (\$7.6M or 12.4%)
 - o Based on the District's current level of transportation services
 - o FYE 2021-22 Transportation expenditures are forecast to be
 - \$55.2M (2024)
 - \$56.9M (2025)
 - \$58.6M (2026)
 - The District receives approximately an 87% reimbursement in NYS transportation aid
- The Special Projects Fund includes grants from a variety of sources though most are from the federal government or NYS and totals \$625.6M over the financial plan.

Executive Director Robe reviewed the following conclusions.

Conclusions

- The District has presented a balanced FY 2022-23 budget and FY 2023-2026 Financial Plan but only with a significant draw on fund balance
 - The plan is balanced with the use of \$90.3M in fund balance, a non-recurring source of funding
 - The Financial Plan is significantly different from past plans in that it includes estimated amounts for the settlement of expired labor contracts
 - The cumulative amount provided over the plan for this purpose is \$131.4M and resulted in the financial plan deficit that is filled with fund balance
 - The District has sufficient fund balance to fund the projected deficits over the next four years. It is a nonrecurring funding source and the use of it for recurring expenditures is indicative of a structural imbalance. The District acknowledges this within the Financial Plan and indicates that a gap plan likely will be necessary as the plan progresses.
- A significant risk to this Financial Plan exists in a key underlying assumption as it relates to enrollment
 - The District has provided a budget based on enrollment nearly returning to prepandemic levels; if enrollment figures are lower, revenues would be impacted
 - A recommendation within the District's Financial Plan is to "prepare a study to assist in aligning staffing and facilities over the long-term to student counts." This need becomes more urgent if enrollment does not recover to pre-pandemic levels as anticipated
 - BFSA agrees with this recommendation and furthermore recommends that the
 District consider conducing an independent demographic study to understand
 changes and trends within the City of Buffalo's population to be able to better
 forecast pupil enrollment.
- NYS has provided significant increases in Foundation Aid which is included over this financial plan
- In addition to increases in Foundation Aid, \$290M of federal stimulus was awarded to the District, of which \$228.4M remains and is included in the Financial Plan
 - o No federal aid reflected in the General Fund except for \$8.0M annually for indirect cost expenditures totaling \$16.0M over FY 2022-23 and FY 2023-24.

- Most stimulus-funded programs end when the federal stimulus ends with the exception of the English Language training program and a planned expansion to summer school programs; the General Fund includes \$12.0M in years 3 and 4 of the plan to continue these programs. The additional 326 positions that are added and planned in years 1 and 2 are eliminated when the funding ends.
- o All other federal aid is reported in the Special Revenue Fund
 - The CRRSA ESSER II funding is available through 9/2023
 - The ARPA ESSER III funding is available through 9/2024
- Financial Plan continues to include a reduction of 6.5 teachers for every 100 students that go from District schools to charter schools for a cumulative fiscal impact of \$9.0M.

Secretary Floss recognized the increased NYS Foundation Aid and the work of the Western New York Delegation to bring in additional funds for the District. BCSD CFO Geoff Pritchard also stated his appreciation for the change in formula of the foundation aid as it helped to close the structural gap in what was needed and what was being received. Mr. Pritchard also noted that growth was held flat across the financial plan. Secretary Floss noted that an expected increase in the local refugee population has not been recognized in the enrollment trends or budget.

County Executive Poloncarz (Swanekamp) asked how New York State Building aid was calculated. BCSD CFO Pritchard that NYS Building Aid was calculated based on a maximum construction cost allowance for each building project, computed by multiplying a pupil construction cost allowance figure, adjusting for regional cost differences, by the assigned pupil capacity for the building.

Hearing no other questions or comments Secretary Floss thanked Geoff Pritchard for attending the meeting and advanced the agenda to review the Buffalo Urban Renewal Agency as presented by Principal Analyst Link.

Principal Analyst Link readdressed Secretary Floss's concern earlier in the meeting regarding what the tax rate increase would be for lowered valued homes and shared the following calculations:

- A home assessed at \$75,000 would have tax increase of \$38 year-to-year
- A home assessed at \$100,000 would have tax increase of \$50 year-to-year
- A home assessed at \$150,000 would have tax increase of \$75 year-to-year

Secretary Floss thanked Link for his quick response.

Buffalo Urban Renewal Agency ("BURA")

2021-22 Third Quarter

- No significant variance to expenditures through third quarter
 - o \$10.4M expended through March 31, 2022
- Entitlement Fund Year 47 funds were released in December 2021
- 34 out of 40 positions filled
- Salaries and fringe benefits total \$2.6M

• Budget to actual revenues were lower by \$2.3M, or -18.3% and budget to actual expenditures were favorable by \$1.8M, or 14.9%. Variances are timing related and were driven by the delayed draw-down by subrecipients primarily due to supply chain issues.

Proposed 2022-23 Budget and 2023-2026 Financial Plan

- BURA has not received the Year 48 Entitlement Funds award notice from HUD. An
 initial letter is usually received in February and a final entitlement letter in mid-May;
 therefore, the estimates were conservative. A modification is expected to be submitted
 sometime between June and August as this will be the first time capturing the City's
 population increase since the 2010 census decrease
- BURA has received several additional funding sources/grants, which are reflected in the 2023-2026 Financial Plan and include:
 - o \$12.3M from the ARPA Affordable Housing Advancement Fund
 - o \$8.2M from the CDBG-CV (Cares Act funding)
 - o \$6.0M from the City of Buffalo HOME ARPA
 - o \$2.0M Healthy Equity Grant
 - o \$1.7M for the lead hazard grant
 - o \$1.2M for the emergency rental assistance program ("ERAP")

County Executive Poloncarz (Swanekamp) asked for clarification on the continued availability of ERAP funds. Principal Analyst Link responded the State portion of ERAP has been distributed and no longer available; however, BURA received funding directly from the federal government which is the current balance.

Revenues

- Out-year revenues are budgeted conservatively as compared to FY 2022-23 budget of \$29.0M, with decreases attributed to the spenddown of outside grants, CDBG-CV and additional ARPA funds:
 - o \$19.6M, or 32.6% decrease in 2023-24
 - o \$16.5M, or 15.5% decrease in 2024-25
 - o \$16.2M, or 2.0% decrease in 2025-26
- Subrecipients receive approximately \$3.5M from BURA in year one and the amount decreases to \$1.0M by year four
- BURA conservatively expects to receive an overall increase of \$112,548, 0.6% in entitlement funds as compared to FY 2021-22

Expenditures

- BURA has included salary and fringe benefit increases over the financial plan as the current CBA expires June 30, 2022. Negotiations are on-going and are reflected in the planning and administration costs over the financial plan.
- CDBG has been budgeted in the amount of \$7.9M
 - o \$5.7M for program delivery
 - \$3.7M for emergency loan program
 - \$1.8M for program delivery costs
 - \$0.2M for crime prevention program delivery
 - o \$2.2M for administrative costs

- HOME has been budgeted in the amount of \$3.6M
 - o \$3.2M for HOME program delivery
 - \$3.0M for rehabilitation and new construction
 - \$0.1M for community housing development organizations
 - \$0.1M for HOME program delivery
 - o \$0.4M for administrative costs
- The formula for calculating administrative costs have not changed

Additional Items of Note:

- Includes resources in the first three years of the financial plan for negotiating a labor agreement between BURA and Local CSEA 815
 - o Current CBA expires June 30, 2022
- BURA is including prior year allocations as a current year resource and in the out years for CDBG and HOME Funds
- Revenue forecast is conservative in the out-years and includes 2% increases for entitlement funds
- There is adequate funding for administrative costs
- BURA does not participate in the City of Buffalo's self-funding of health insurance and continues to maintain coverage through Blue Cross Blue Shield
 - o Annual increases of 2.0% are included in the Financial Plan
- BURA is holding 34 properties valued at \$3.2M
 - o Intent is to continue to strategically assess portfolio and sell properties
- Neighborhood framework plan is ongoing
 - o Allows multiple stakeholders the ability to coordinate with each other on agreed-upon housing goals and objectives
- BURA has 44 FTEs budgeted in the current year and decreases the number of FTE's to 41 over the course of the Financial Plan.

The following conclusions were provided by Executive Director Robe.

Conclusions

- 2023-2026 Financial Plan is balanced
 - To be revised after final HUD allocation notice is received. The results of the 2020 census will be reflected in this annual notice and how the census impacts the entitlement grant awards will be known.
 - BFSA recommends management continue to monitor the plan as decreases to revenue would place pressure on BURA
 - The Financial Plan appropriately reflects the available CARES, ERAP and additional ARPA funding and other resources and required timing of the use of such funds
 - ARPA dollars must be obligated by December 31, 2024, and spent by December 31, 2026
 - We recommend close monitoring of the one-time federal stimulus programs as there is no provision in the final rules to carry forward unspent dollars.

County Executive Poloncarz (Swanekamp) noted the importance of all ARPA funds being committed so as not to be swept back by Congress.

Hearing no questions or comments Secretary Floss advanced the agenda.

Buffalo Municipal Housing Authority ("BMHA")

FY 2022-23 Budget and 2023-2026 Financial Plan

Senior Analyst II Nathan Miller began his presentation with the following introduction:

- The FY 2022-23 Consolidated Adopted Budget and FY 2023-2026 Consolidated Financial Plan was submitted to the BFSA on May 2, 2022
- The Financial Plan includes the individual budgets and financial plans for the combined twenty-two Asset Management Programs ("AMPs", the Central Office Cost Center ("COCC"), the Marine Drive Apartments and the U.S. Housing and Urban Development ("HUD") Housing Choice Voucher Program
- The Financial Plan includes the individual financial plans and a consolidated financial plan
- The Congressional approval of HUD funding levels
- Local, inflationary, recessionary recovery, and unemployment trends that affect resident incomes and the number of eligible recipients

FY 2022-23 adopted budget total revenues \$54.9M and expenditures are projected at \$52.5M. The HUD subsidy is budgeted at \$21.4M for FY 2022-23 and increases by 9.3% over the financial plan. Total revenues increase by 6.6% over the financial plan. Expenditures are budgeted at \$52.5M for FY 2022-23 and projected to increase by 2.5% over the financial plan. The number of budgeted positions for FY 2022-23 totals 139 and is held flat over the financial plan. Total employee salaries and benefits are budgeted at \$15.8 M in FY 2022-23 and are projected to increase by \$0.6M to \$16.4M over the financial plan based on the contractual increases in employees' labor agreements in FY 2022-23 and estimated increases in FY 2023-24 through FY 2025-26.

The AMP program provides the largest resource of revenues. The FY 2022-23 AMP Adopted Budget depicts \$3.1M in net operating income. The cash impact after a \$1.7M debt service principal reduction and removing the non-cash \$1.0M other post-employment benefits ("OPEB") accrual is budgeted at \$2.4M.

The COCC is the business unit of BMHA and operates as a property management company, financially supported through fees earned by overseeing business activities. The BMHA has budgeted a FY 2022-23 net operating loss of \$0.4M. A net loss is projected in each fiscal year at a cumulative \$2.1M. The cash impact is a \$0.1M in FY 2022-23 after removing the \$0.5M non-cash OPEB accrual.

Secretary Floss questioned how quickly BMHA has been able to turn over units. Senior Analyst Miller responded that the AMP occupancy rate nears 95%. Unit turnover slowed during the eviction moratorium. The actual unit turnover work was greater due to the Covid-19 cleaning procedures. Senior Analyst II Miller stated he would follow up with BMHA management to get specific unit turnover data. Secretary Floss stated the importance of continued monitoring due to the increased pressure for housing.

Marine Drive shows an operating income loss in all four years of the financial plan. There is a budgeted \$0.3M operating loss in FY 2022-23. The FY 2022-23 cash impact is budgeted at a loss \$0.5M and the four-year cash impact is projected to be a loss of \$2.8M.

Each FY in the Marine Drive Financial Plan includes a negative cash impact. A structural deficit is depicted within this plan. BMHA administration are pursuing the following options to address the funding issue with Marine Drive:

- If losses are incurred, such losses would be potentially funded through COCC current year operations or through COCC reserves to the extent available as Marine Drive does not have any operating reserves
- BMHA has taken two actions to address Marine Drive's budgetary shortfall
 - o Applied to the New York State Homes and Community Renewal
 - Increase to Marine Drive's flat rents, potentially yielding an additional \$250,000 in additional annual dwelling income. It is unclear what the proposed rent schedule would be. Executive Director Robe stated low-income units would be in a voucher program and non-low-income units would become market rate
 - Designate Marine Drive apartments as project-based housing voucher units, potentially yielding an additional \$0.8 M in additional, annual revenues
 - o If these actions yield results as estimated by BMHA management, the new revenues would be sufficient to address the deficits

Section 8 is largely a passthrough fund. Any reported surplus or deficit is temporary in nature as the program self-balances.

Conclusions

Executive Director Robe provided the following conclusions:

- On a consolidated basis the plan is balanced. Individually there are segments that could potentially create fiscal stress in the future. At this time there are mitigating factors that balance this risk out.
- Revenues and expenses appear fairly stated overall within the 2023-2026 Financial Plan on both an individual and consolidated basis
 - o The Financial Plan projects a four-year cumulative surplus of \$14.2M and a four-year positive cashflow of \$12.6M
 - We again recommend the fiscal impact related to the Section 8 unit of the organization be eliminated in evaluating the completeness of the plan as ultimately there is no fiscal impact from implementing the Section 8 voucher program
 - The revised four-year cumulative surplus after eliminating the Section 8 unit is \$12.7M and a four-year positive cashflow of \$11.1M
- The COCC is a segment that is unbalanced; four-year net loss of \$2.1 million with a cash impact projected less at \$(0.1)M. The \$100,000 cash impact can be managed through the use of reserves; \$1.1M was reported at July 1, 2021. The budget is conservative and excludes potential revenues that may be earned in the future for property management fees.
- The second segment is Marine Drive which is more problematic. The Marine Drive Adopted Budget and Financial Plan is not balanced.
 - There is no federal or state funding to support this housing unit

- Rents are flat and are the main source of revenue; rent increases require NYS approval. The last rate increase was approved at the end of 2019.
- o A four-year deficit of \$1.0M is projected with a \$1.8M total cash outflow projected over the same period
- BMHA has taken the initial steps to increase Marine Drive revenue receipts by an estimated \$1.25M annually by requesting from NYS rent increases and a request to allow project-based vouchers.
- BFSA previously recommended that BMHA prepare a contingency plan to reduce costs where possible in the event actual losses create a need to implement a revised operating program. In the event New York State does not approve these items, a plan will need to be developed
- The Section 8 segment is balanced
 - o FY 2022-23 Revenues are equal to FY 2022-23 Expenses
 - o The Financial Plan's three outyears depict increasing revenues but flat expenses
 - The Section 8 Financial Plan understates expenses within the three outyears are the budget is a passthrough of federal Housing Choice Vouchers as Housing Assistance Payments
 - o This underestimate does not impact BMHA's overall financial position
 - o As noted above, the fiscal impact related to this unit should be eliminated

Hearing no comments or questions, Secretary Floss thanked Executive Director Robe and staff for their work and stated no action would be taken at the meeting and approval of final budget and financial plans would be reviewed at the June 22, 2022, BFSA meeting.

New Business

Secretary Floss asked if there was any new business to discuss.

Hearing none, Secretary Floss advanced the agenda to the public comment period or privilege of the floor. No attendees were in the room to comment so he then asked for a motion to adjourn, as no comments were submitted via the instructions included on the BFSA website.

Interim Vice-Chair Jurasek made a motion to adjourn. County Executive Poloncarz (Swanekamp) seconded the motion.

The Board voted 5 to 0 to adjourn.

The Board adjourned at 3:38 P.M.